



**Health Services**  
LOS ANGELES COUNTY

Los Angeles County  
Board of Supervisors

Gloria Molina  
First District

Yvonne B. Burke  
Second District

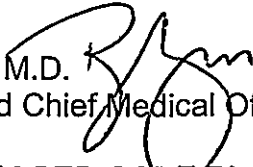
Zev Yaroslavsky  
Third District

Don Knabe  
Fourth District

Michael D. Antonovich  
Fifth District

March 15, 2006

TO: Each Supervisor

FROM: Bruce A. Chernof, M.D.   
Acting Director and Chief Medical Officer

SUBJECT: **IMPROVING MANAGED CARE PLAN COLLECTIONS**

As referenced in my November 15, 2005 memo to you, this is to provide an update on our progress in improving Managed Care and Health Care Plan (HCP) billing and collections during the fourth quarter of Calendar Year 2005.

Bruce A. Chernof, MD  
Acting Director and Chief Medical Officer

John R. Cochran III  
Chief Deputy Director

William Loos, MD  
Acting Senior Medical Officer

313 N. Figueroa Street, Suite 912  
Los Angeles, CA 90012

Tel: (213) 240-8101  
Fax: (213) 481-0503

[www.ladhs.org](http://www.ladhs.org)

*To improve health  
through leadership,  
service and education.*

- The Ad Hoc Committee, comprised of County Counsel, facility designated physicians, Patient Financial Services (PFS) Directors, Chief Financial Officers (CFOs), and Utilization Review (UR) Directors, continues to meet on a monthly basis to review the current facility procedures, identify ways to improve the authorization process, develop revised policies and procedures, and enrich the knowledge base of physicians and other designated facility personnel through a training program.
- The committee implemented a universal face sheet; this face sheet is used to notify health care plans via fax of their member's admission to the hospital. The new face sheet is currently being utilized by all Department of Health Services (DHS) hospitals.
- The lawsuit filed by Maxicare against one of their creditors has been tentatively settled pending bankruptcy court approval. DHS was notified on January 4, 2006, that the final approval by the court has been delayed until summer 2006. DHS should anticipate receipt of the final settlement of \$1.4 million by the end of calendar year 2006; this payment will bring our settlement total to \$2.6 million.
- The Department currently has a Medi-Cal Managed Care Agreement with Universal Care (UC) Health Plan. UC has proposed to sell certain assets to Health Net, including UC's interest in the Healthy Families and Medi-Cal Programs.



**www.ladhs.org**

DHS may either terminate the existing Medi-Cal contract or recommend to your Board to "delegate and assign" the UC agreement to Health Net. Terminating the existing agreement would require Health Net to reassign the UC members that are currently assigned to (capitated) Northeast Cluster and Valley Care Providers to other non-DHS providers as this Department does not have a contract with Health Net. However, delegating and assigning the UC agreement to Health Net would enable the UC members to continue receiving care from their assigned DHS providers. DHS staff will meet with Health Net regarding the Medi-Cal agreement delegation and assignment and submit a recommendation to your Board.

As a result of an impending sale to Health Net, UC and Revenue Management (RM) are aggressively adjudicating the outstanding claims for dates of services through December 31, 2005. The goal for completion is March 31, 2006.

- On May 31, 2005, Watts Health Foundation, Inc. dba UHP Healthcare (UHP) filed a petition under Chapter 11 of the U.S. Bankruptcy Code in the United States Bankruptcy Court. As a result of this filing, the tentative settlement of emergency services claims is off the table and DHS will have to submit a "proof of claim" to the bankruptcy court with all other creditors.

The "bar date" was set for January 31, 2006. RM filed the County's claims for \$4.2 million on January 26, 2006. RM represents DHS along with County Counsel on the Watts Creditors Committee.

- On May 31, 2005, your Board approved an amendment to extend the term of the existing Blue Cross Medi-Cal Managed Care Agreement effective July 1, 2005 through December 31, 2005, and delegated authority to the Director to extend the term on a month-to-month basis through June 30, 2006, upon written mutual agreement of the parties. DHS and Blue Cross are currently negotiating the terms for a new agreement. DHS and Blue Cross have exercised its month-to-month contract extension provision to extend the Blue Cross Agreement until June 30, 2006. Due to protracted negotiations between Blue Cross and DHS, it may be necessary to request an extension to the existing agreement to extend the terms to complete negotiations.
- Health Net and RM have reached settlement for the remaining calendar year (CY) 2003 and first quarter CY 2004 outstanding claims. On the advice of County Counsel the settlement agreement for \$50,000 was signed by DHS on February 1, 2006. DHS received its check on February 16, 2006. Health Net and RM have begun adjudicating the remaining CY 2004 outstanding claims and

Each Supervisor  
March 15, 2006  
Page 3

the first, second, and third quarter CY 2005 outstanding claims. Estimated date for completion is April 2006.

- On November 3, 2005, Molina and RM reached a settlement for \$1.2 million for all outstanding claims for dates of services through December 31, 2004. On the advice of County Counsel the settlement agreement for \$1.2 million was signed by DHS on February 3, 2006. DHS received its check on February 23, 2006.
- As a result of this settlement, DHS and Molina are continuing contract negotiations for a new Medi-Cal Managed Care agreement.

The Department will continue to provide quarterly reports to the Board on our progress in improving managed care plan billing and collection. The next report will be provided in May 2006.

If you have questions, please let me know.

BAC:lg  
201:029

c: Chief Administrative Officer  
County Counsel  
Executive Officer, Board of Supervisors